



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Sabreliner Corporation

File: B-242023; B-242023.2

Date: March 25, 1991

Kenneth B. Weckstein, Esq., Epstein, Becker & Green, P.C., for the protester, Franklin G. Snyder, Esq., and Elizabeth M. Saunders, Esq., Latham & Watkins, for Teledyne Neosho, an interested party, Gregory H. Petkoff, Esq., and Joseph M. Goldstein, Esq., Department of the Air Force, for the agency, Guy R. Pietrovito, Esq., and James A. Spangenberg, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Procuring agency in a negotiated procurement for engine repair and overhaul services properly considered as strengths justifying a high technical rating the incumbent's specific experience under the solicitation's evaluation factors of "experience" and "management capabilities," and the incumbent's in-place specific tooling under the "facilities and equipment" factor, where specific experience and capabilities were encompassed within or reasonably related to the stated factors.

2. The agency's assessment of the awardee's overall performance risk, a general consideration under the solicitation, was reasonable, despite the agency's failure to consider the awardee's inclusion on the Defense Logistics Agency Contractor Alert List or the criminal investigation of the awardee, where the agency, in accordance with the stated evaluation scheme, documented the awardee's successful past and present performance such that the agency concluded that the awardee could successfully perform the contract.

3. Award was properly made to a higher-rated, higher-cost offeror where the source selection decision was consistent with the solicitation's evaluation factors and the selection official reasonably determined that the awardee's technical advantages outweighed the protester's lower-rated, lower-cost offer.

DECISION

Sabreliner Corporation has filed two protests against the award of a contract to Teledyne Neosho, a division of Teledyne Industries, Inc., under request for proposals (RFP) No. F41608-89-R-72926, issued by the San Antonio Air Logistic Center, Department of the Air Force, for the repair and overhaul of J69 aircraft engines and "management items subject to repair" (MISTR).^{1/} Sabreliner contends that the Air Force improperly evaluated proposals and failed to consider Sabreliner's lower evaluated price in the source selection determination.

We deny the protests.

BACKGROUND

The RFP, issued July 15, 1990, contemplated the award of a fixed-price requirements contract for the repair and overhaul of various quantities of J69 aircraft engines and MISTRs for a 3-year base period and two 1-year option periods. The solicitation sets forth estimated quantities of engines and MISTRs to be repaired and detailed work specifications to accomplish the RFP work. Engines were required to be repaired or overhauled and returned within 45 days after receipt, while MISTRs were to be repaired within 30 days after receipt. The required delivery schedule was stated to be a critical contract provision.

Offerors were informed that evaluation of proposals would be conducted under the streamlined source selection procedures of Air Force Regulation (AFR) 70-30, and that award would be made to the responsible offeror, whose offer represented the best value to the government, based upon an integrated assessment of the offerors' ability to satisfy the RFP requirements. The integrated assessment includes an evaluation of both general considerations--past performance risks, proposed contractual terms and conditions, and pre-award survey results--and specific evaluation factors. The following specific evaluation factors were stated in descending order of importance:

- (1) Experience
- (2) Facilities and Equipment
- (3) Management Capabilities
- (4) Quality Control
- (5) Production Plan

^{1/} "MISTRs" are engine parts and accessories other than basic engine items.

- (6) Cost
- (7) Safety

The solicitation provided subfactors for each evaluation factor, other than cost, and stated that each specific evaluation factor would receive a color/adjectival rating depicting how well the offerors' proposals met the evaluation standards and a proposal risk rating assessing the risks associated with the offerors' proposed efforts to accomplish the RFP requirements. In addition, the RFP provided, as a general consideration, that a performance risk assessment would be conducted based upon the offerors' present and past performance to assess the offerors' probability of successfully accomplishing the proposed effort.

Offerors were informed that price would be evaluated by multiplying the offerors' fixed unit prices by the stated estimated quantities for the base period and option years and that \$80,000 would be added to the price offers of non-incumbent contractors to reflect the government's cost to transfer government-furnished property, special tooling, and residual government-furnished material.^{2/} The RFP reserved the right of the government to make award to other than the lowest priced offeror.

The Air Force received three proposals, including offers from Sabreliner and Teledyne, and the proposals were evaluated by the source selection evaluation team (SSET) in accordance with the color/adjectival rating and proposal risk assessment scheme stated in AFR 70-30.^{3/} All three offers were found to

2/ Teledyne is the incumbent contractor for these services.

3/ Proposals were evaluated as being either "blue/exceptional," which was defined as exceeding the specified performance with high probability of success and no significant weaknesses; "green/acceptable," which was defined as meeting the specified performance standards with good probability of success and no significant weaknesses; "yellow/marginal," which was defined as failing to meet the performance standards but with deficiencies that were correctable without a major rewrite; or "red/unacceptable," which was defined as where a proposal failed to meet specified performance standards or where correction of the deficiencies would require a major rewrite. Proposal risk assessments were defined according to the potential risk of disruption of schedule, increase in cost, or degradation of performance. "High" risk was defined as being "likely" to cause "significant serious risk." "Moderate" risk was defined as "potentially" causing "some" risk. "Low" risk was defined as having "little potential" for causing risk.

be technically acceptable and within the competitive range. Since the offerors' initial proposals were found to be complete as submitted and contained no technical deficiencies, only cost discussions were conducted.^{4/} Best and final offers were requested and evaluated as follows:

	<u>Teledyne Rating/Risk</u>	<u>Sabreliner Rating/Risk</u>
Experience	Blue/Low	Green/Moderate
Facilities and Equipment	Blue/Low	Green/Moderate
Management Capabilities	Blue/Low	Green/Moderate
Quality Control	Green/Moderate	Green/Moderate
Production Plan	Green/Low	Green/Moderate
Safety	Green/Low	Green/Low
OVERALL	BLUE/LOW	GREEN/MODERATE
PRICE	\$14,759,146	\$11,848,451

Teledyne's superior ratings under the three most important evaluation factors reflected its specific experience as the incumbent contractor for the repair and overhaul of J69 aircraft engines. For example, under the experience factor, the SSET found that "[a] strength is that [Teledyne] has successfully overhauled, in volume, the J69 engines and its components for 22 years. No other contractor has as much experience in the repair/overhaul of the J69 engine." Similarly, under the facilities and equipment factor, the Air Force noted that Teledyne has "significant strengths because it has in-place and in-use facilities and equipment that have proven more than adequate to overhaul the J69 engine and its components for the past 22 years." Under the management capabilities factor, the SSET noted that Teledyne's management team was in-place and had actual, long-term successful experience with the J69 program.

^{4/} Sabreliner also protested that the Air Force failed to conduct meaningful discussions. We consider this issue to have been abandoned since the agency responded in detail concerning this allegation, and the protester did not attempt to rebut the agency's response. See TM Sys., Inc., B-228220, Dec. 10, 1987, 87-2 CPD ¶ 573.

Sabreliner's acceptable evaluation ratings reflected its general experience in aircraft engine repair/overhaul, which the Air Force found met, but did not exceed, its evaluation standards. For example, under the experience factor, the SSET found that Sabreliner had more than 20 years of experience in the engine overhaul business but that "[t]his strength is diminished by the fact that the magnitude of individual contracts and the number of engines worked is moderate compared to this requirement." The agency further noted that Sabreliner had no specific experience "with the specific tooling, configurations or problems inherent to the J69 engine." Under the facilities and equipment factor, the agency found that Sabreliner had sufficient engine repair/overhaul facilities and equipment that could be used in the performance of the contract, but since the firm had not previously overhauled or repaired J69 engines, it did not have in place all the necessary equipment and tooling.^{5/} Under the management capabilities factor, the agency found that Sabreliner met the evaluation standards but that the experience for its management personnel was "stated in very general rather than specific terms" and that management personnel would have to be diverted from other programs to perform the J69 work.

The source selection authority (SSA) determined that while all proposals in the competitive range were adequate, Teledyne's proposal was "superior in terms of experience, workmanship and production capability." Specifically, Teledyne was found to have all the required facilities and equipment in place and operational, and a proven record in performing the required services. The SSA concluded that "[a]lthough the most probable cost of Teledyne's proposal is not the lowest, it is my view that the difference in total cost is more than offset by the superior characteristics of Teledyne's proposal" and accordingly "Teledyne's proposal offers the best overall value." Award was made to Teledyne on November 2, 1990. Sabreliner protested the award to our Office on November 9.

CONFORMITY WITH STATED EVALUATION FACTORS

Sabreliner protests that the Air Force did not evaluate proposals in accordance with the stated evaluation factors. The protester complains that its proposal was improperly downgraded for lack of specific J69 engine repair/overhaul

^{5/} Each aircraft engine is unique and requires specific tooling and equipment to perform repair/overhaul services.

experience under the experience, facilities and equipment, management capabilities, and quality control factors, even though specific repair/overhaul experience with J69 engines was not identified as an RFP evaluation factor.

Solicitations must inform offerors of the basis for proposal evaluation, and the evaluation must be based on the factors set forth in the RFP. While agencies are required to identify the major evaluation factors, they are not required to identify the areas of each factor that might be taken into account, provided that the unidentified areas are reasonably related to or encompassed by the stated factors.^{6/} Wyle Laboratories, B-239671, Sept. 19, 1990, 90-2 CPD ¶ 231.

Here, we find that the Air Force's evaluation of Sabreliner's proposal was consistent with the stated evaluation factors. While it is true that specific repair/overhaul experience with J69 engines was not identified as an RFP requirement or an evaluation factor or subfactor, the agency's consideration of specific experience was consistent with the stated evaluation factors because specific experience was reasonably related to or encompassed by the stated criteria.^{7/}

Under the most important evaluation factor, "experience," the RFP informed offerors that their past and present contracts would be evaluated and instructed offerors to list past and present contracts showing repair/overhaul of J69 engines or "similar type aircraft engines." Clearly, offerors were on notice that specific J69 engine experience would be considered under the stated "experience" factor. We thus find that specific J69 engine experience was encompassed within the experience to be evaluated under this criterion and Teledyne's evaluated "exemplary" performance for this work was reasonably regarded as a significant strength.

6/ Section 802(a) of the National Defense Authorization Act for Fiscal Year 1991, Pub. L. No. 101-510, 104 Stat. 1588 (November 5, 1990), while not applicable to this RFP, amended 10 U.S.C. § 2305(a)(2)(A) to require that solicitations include a statement of all significant evaluation subfactors the agency expects to consider.

7/ The Air Force argues in its report that specific repair/overhaul experience with J69 engines was not considered as an evaluation factor but was only viewed as an "enhancement." This statement is misleading, however, since the agency in its comparative evaluation of proposals under several evaluation factors considered Teledyne's specific J69 experience to be a proposal strength while Sabreliner's lack of experience with J69 engines was viewed as a weakness.

Under the evaluation factors "management capabilities" and "quality control," the RFP listed the offerors' personnel as a subfactor and instructed offerors to provide resumes showing specialized training and experience of its proposed personnel. Whether the offerors' proposed management and quality control personnel have specific experience with J69 engine repair/overhaul projects or contracts properly could be considered under these factors; where a solicitation lists general experience as an evaluation factor, the procuring agency may consider experience in the specific services sought since such specific experience is reasonably related to the general experience factor. See Hydro Research Science, Inc., B-2302088, May 31, 1988, 88-1 CPD ¶ 517. Thus, the agency could reasonably find Teledyne's management personnel, most of whom had more than 20 years of J69 engine experience, were superior to the personnel proposed by Sabreliner. With regard to the quality control personnel, the agency reasonably downgraded Teledyne because some the quality control inspectors did not meet the RFP's experience guidelines, although the contractor had been producing quality work on the J69 engines for many years.

Sabreliner also complains that its proposal was wrongfully downgraded for a lack of specific J69 engine repair/overhaul experience under "facilities and equipment." The record shows that under the facilities and equipment factor, Sabreliner was found acceptable because it had in place sufficient facilities and equipment to perform engine repair/overhaul work. The protester did not receive a higher evaluation rating because it did not have in place specific tooling to perform repair/overhaul work on the J69 engine. Teledyne, on the other hand, was rated exceptional because it did have in place all the required equipment and tooling necessary to perform the contract. We think this is a reasonable distinction to make in evaluating proposals under this criterion.

Sabreliner argues that J69 engine experience received undue weight in the evaluation of proposals since it was applied across the board to all evaluation factors. In this regard, Sabreliner argues that Section L, requesting that offerors list repair/overhaul experience with J69 engines "and/or" similar type aircraft engines, indicated that a firm's experience with similar type engines or with J69 engines would be of equal weight.

We do not agree that the RFP indicated that experience with J69 engines "and/or" similar type aircraft engines would be equally weighted. This instruction merely requested that offerors identify the kinds of aircraft engine experience that the firms had and did not specify what weight specific experience would receive in relation to more general experience. Moreover, we find no criteria under which J69 engine experience was given undue weight. Teledyne's proposal showed significant repair/overhaul experience with J69 engines, which exceeded the specified evaluation standards, and was thus rated blue/exceptional, while Sabreliner, on the basis of its experience with similar type engines, simply met the evaluation standards and was rated green/acceptable. This evaluation was in accordance with the RFP evaluation scheme and AFR 70-30, which provided that offers exceeding the evaluation standards would be rated higher than those offers meeting the standards. Since, as indicated above, the agency can reasonably consider specific past experience or capabilities on J69 engines to be more valuable than general experience or capabilities with similar aircraft engines under each of the three most important technical criteria, we do find the weight given such experience or capabilities in this case was undue.

Sabreliner complains that if specific experience is more valuable than general experience, Teledyne, as the incumbent contractor, has an unfair advantage. A competitive advantage gained through incumbency, however, is generally not an unfair advantage that must be eliminated. Incumbent contractors with good performance records can offer real advantages to the government, see IBI Sec. Serv., Inc., B-238661, June 25, 1990, 90-1 CPD ¶ 589, and proposal strengths flowing from a firm's prior experience may properly be considered by an agency in proposal evaluation. Oklahoma Aerotronics--Recon., B-237705.2, Mar. 28, 1990, 90-1 CPD ¶ 337.

PERFORMANCE RISK ASSESSMENT

Sabreliner also protests as arbitrary and unreasonable the agency's performance risk assessment, which found Teledyne's performance risk to be low.^{8/} Sabreliner complains that the

^{8/} "Low" risk is defined in AFR 70-30 as having "little potential to cause disruption of schedule, increase in cost, or degradation of performance. Normal contractor effort and normal government monitoring will probably be able to overcome difficulties."

agency did not consider that Teledyne's J69 repair/overhaul workers went on strike and were terminated, that Teledyne was the subject of a criminal investigation by the Federal Bureau of Investigation (FBI), that Teledyne was placed on the Defense Logistics Agency (DLA) Contractor Alert List,^{9/} and that one procurement contracting officer (PCO) on another of Teledyne's contracts rated Teledyne's performance as marginal.

The record shows that the agency's performance risk assessment group (PRAG)^{10/} assessed the performance risk of all offerors, including Teledyne and Sabreliner, by evaluating responses to questionnaires sent to activities responsible for recent major repair/overhaul contracts. The PRAG found that production managers rated Teledyne's performance as excellent while one PCO rated Teledyne's performance on another engine repair/overhaul contract as marginal. The agency states it considered the production managers' performance opinions to be more compelling than the one PCO's opinion because the production managers, as the actual "customers," would be most affected by delinquent delivery, poor quality, and cost overruns.

Also, the questionnaire results for the prior J69 repair/overhaul contract rated Teledyne's performance as exceptional in overall planning and controlling the program, adherence to estimated costs and contract cost goals, and shipping and handling, and as acceptable in all other areas. The PRAG, in finding Teledyne's overall performance risk to be low, specifically noted that Teledyne's J69 production workers were on strike with no resolution forecast but found that "even in the face of this labor dispute, which imposed a heavy burden on the offeror to train new employees, the offeror has consistently delivered an acceptable product in sufficient quantities to meet customer needs."^{11/}

^{9/} The DLA Contractor Alert List is used exclusively within the Department of Defense to notify buying activities that "preliminary information exists . . . which suggests that contractors may require further examination in order to make a determination of their responsibility." DLA Regulation No. 8300.6 (May 5, 1989).

^{10/} The PRAG is wholly separate from the SSET.

^{11/} Teledyne states that it met its contract requirements by performing the contract with supervisory personnel and hiring and training new workers to replace its striking workers.

While there is no evidence in the record that the PRAG considered Teledyne's inclusion on the DLA Contractor Alert List^{12/} or the FBI investigation of Teledyne,^{13/} there is no indication that these factors would have caused Teledyne's performance risk to be considered other than low, given the PRAG's documentation of Teledyne's successful past and present performance.^{14/} In contrast, Sabreliner's performance risk was considered moderate because of some negative customer feedback. Accordingly, we do not find unreasonable the agency's conclusion under this general consideration that Teledyne's past and present performance indicated that Teledyne could successfully accomplish the contract work.

COST/TECHNICAL TRADEOFF

Sabreliner also protests that the agency's cost/technical tradeoff determination was unreasonable because the agency improperly failed to consider Sabreliner's nearly \$3 million, or 25 percent, lower price. In this regard, Sabreliner argues that the SSA, contrary to the guidance provided in AFR 70-30, did not review sufficient information concerning the evaluation of the competing proposals to make a reasoned determination and failed to show that Teledyne's superior evaluation rating would result in a "beneficial value" to the government.

In a negotiated procurement, there is no requirement that award be made on the basis of lowest cost or price unless the RFP so specifies. Henry H. Hackett & Sons, B-237181, Feb. 1, 1990, 90-1 CPD ¶ 136. Agency officials have broad discretion

^{12/} Teledyne was apparently included on the DLA Contractor Alert List for perceived problems in its cost estimating and purchasing system. Teledyne, however, has provided an un rebutted affidavit stating that it has taken corrective action regarding its estimating and purchasing system.

^{13/} The record does not show the subject of the criminal investigation of Teledyne.

^{14/} To the extent that Sabreliner questions Teledyne's ability to perform the contract, this concerns the agency's affirmative determination of responsibility, which we will not review absent conditions not present here. 4 C.F.R. § 21.3(m) (5) (1990).


in determining the manner and extent to which they will make use of technical and cost evaluation results. Cost/technical tradeoffs may be made; the extent to which one may be sacrificed for the other is governed only by the test of rationality and consistency with the established evaluation factors. Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 325. Award may be made to a higher-rated, higher-cost offeror where the decision is consistent with the evaluation factors and the agency reasonably determines that the technical superiority of the higher-priced offer outweighs the cost difference. See Oklahoma Aerotronics, Inc.--Recon., B-237705.2, supra.

We find the SSA was provided with sufficient information to make a source selection decision. The SSA is not required to personally review the proposals or the complete evaluation documentation, but can rely upon a briefing that presents the results of the proposal evaluation. See Systems & Processes Eng'g Corp., B-234142, May 10, 1989, 89-1 CPD ¶ 441. Here, the SSA, in addition to receiving a technical evaluation briefing, reviewed the proposal analysis report, which set forth, among other things, a description of the evaluation standards and criteria; a description of the competing proposals; a comparative evaluation analysis of the proposal; the offerors' proposed prices/costs; and the performance risk assessment.

While Sabreliner argues that it was per se irrational to select a significantly higher-priced offeror since Sabreliner was rated technically acceptable on this requirement containing detailed work specifications, the RFP provided that technical factors were much more important than cost, and the record shows that the agency reasonably determined that Teledyne's technical superiority outweighed Sabreliner's 25 percent price advantage. As noted above, the SSET rated Teledyne as exceptional with low risk under the three most important evaluation factors where Sabreliner was rated as acceptable with moderate risk, and the SSA determined, from his review of the proposal analysis report, that Teledyne's exceptional technical rating reflected actual superiority. The SSA specifically concluded that Teledyne's technical advantages--that is, its superior, successful J69 engine repair/overhaul experience, an in-place, long-term management team with specific experience and in-place, proven equipment and facilities--outweighed Sabreliner's lower-priced but

higher-risk offer.^{15/} In this regard, the SSA noted that the government could only furnish minimal support and assistance to the J69 repair/overhaul contractor, despite the strict contract delivery schedule. Under the circumstances, we find the SSA's determination to be reasonable.^{16/}

The protests are denied.


for James F. Hinchman
General Counsel

^{15/} The Air Force notes that since prices were evaluated based upon estimates for this requirements contracts, Sabreliner's price advantage may not be as large as presented.

^{16/} Sabreliner's allegations--that the agency's cost/technical tradeoff was not performed in accordance with the selection methodology of AFR 70-30--do not provide a basis for questioning the validity of the award determination since, as noted above, the selection official may make cost/technical tradeoffs, which are reasonable and consistent with the RFP evaluation scheme. See Grey Advertising, Inc., 55 Comp. Gen. 1111, supra. The Air Force regulation is an internal instruction to aid agency personnel and does not provide outside parties with any legal rights. See generally Pacific Architects and Eng'rs Inc., B-236432, Nov. 22, 1989, 89-2 CPD ¶ 494.